

2011-2012 PERFORMANCE PLAN – Portfolio Manager, Global Equity / Corporate Governance (B. Sherwood-McGrew)

Page 1 of 4

All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Total Fund Performance	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5
25%	Total Global Equity Performance	Excess return deviation in basis points relative to: Global Equity Performance Benchmark {SX2JA1 – CPERSHM2IC} *Cost-adjusted Total Global Equity Benchmark	-8 basis points = 0 +7 basis points = 1.0 +18 basis points = 1.5
5%	Corporate Adoption of Majority Voting Standards	Implementation of CalPERS corporate governance improvements by adoption of a majority vote process within the universe of companies engaged. Measures number of individual corporate governance improvements ("Asks") at portfolio companies consistent with CalPERS' Global Principles of Accountable Corporate Governance.	Less than 25% of "Asks" implemented by public company boards = 0 Greater than 55% of "Asks" implemented by public company boards = 1.5
5%	Support for CalPERS Shareowner Proposals	Implementation of CalPERS corporate governance improvements by generating support for CalPERS Shareowner Proposals. Measures number of individual corporate governance improvements ("Asks") at portfolio companies consistent with CalPERS' Global Principles of Accountable Corporate Governance.	Less than 25% of "Asks" implemented by public company boards = 0 Greater than 55% of "Asks" implemented by public company boards = 1.5
45%	Subtotal	Quantitative Measures	

Incentive Schedule

Total Fund: FY 2012-13: Target, 0/20/30

Total Global Equity Performance: FY 2012-13: Target, 0/10/15

2011-2012 PERFORMANCE PLAN – Portfolio Manager, Global Equity / Corporate Governance (B. Sherwood-McGrew)

Page 2 of 4

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Leadership	<p><u>Enterprise-wide Leadership and Management</u> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12. • Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012. • Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012. • Maintain a 90% EPAD completion rate. • Address and resolve all outstanding audit findings within 12 months of audit report. • Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12. • Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews. • Complete the Executive D&I Development Journey course, including completion of all pre- and post-session work assignments. • Conduct at least two direct report team sessions on diversity and inclusion awareness. • Effectively manage all Operational resources within prescribed budget limits. • Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter. <p><u>Investment Office Leadership and Management</u> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> • Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. • Participating in training, communication, and recognition activities and events. <p><u>Team Participation – Cross Asset Class Collaboration</u> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>	From schedule

Incentive Schedule

Total Fund: FY 2012-13: Target, 0/20/30

Total Global Equity Performance: FY 2012-13: Target, 0/10/15

2011-2012 PERFORMANCE PLAN – Portfolio Manager, Global Equity / Corporate Governance (B. Sherwood-McGrew)

Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
10%	Global Equity Performance Priorities	<p>By June 30, 2012, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performances and processes, including:</p> <p>Support of the continuing restructure of the methods and process used to allocate capital more effectively within Global Equity by completing work within one or more of the categories below:</p> <ul style="list-style-type: none"> • The “Public Markets Portfolio Management” Project • Functionalization/organization of the work performed within the external strategy area • Construction of an improved communication model for all constituent audiences • Capital allocation optimizer, governance, and decision-making • By December 31, 2011, incorporate CalPERS Core Values into the external manager skill search and validation process • Evaluate the Emerging Manager programs and develop a plan to consolidate into Fund structure and migrate MDP managers to Fund-of-Funds pool upon completion of alternate solicitation contracting process • Implement the Global Equity risk budget into the capital allocation process 	From schedule
15%	Legislative and Response	<p>Lead the Corporate Governance team in ensuring compliance with California legislation related to:</p> <ul style="list-style-type: none"> • Divestment, such as implementation of the Sudan and Iran Acts • Portfolio reporting requirements • Hearings, written response, and other legislative inquiries 	From schedule
10%	Investment, Environmental, Social, Governance (IESG)	<p>Lead a total fund process for integrating best practices in environmental, social and governance issues to enhance their contribution to risk adjusted returns</p> <ul style="list-style-type: none"> • benchmark current practice by asset class against global peer group • propose total fund reporting template • identify practical initiatives for each asset class to consider • review of CalPERS Principles of Accountable Corporate governance as a framework for IESG activity • review of CalPERS strategy on corporate engagement, including its methodology for the focus list • develop a diverse pool of candidates for CalPERS and other investors to propose as board candidates 	From schedule

Incentive Schedule

Total Fund: FY 2012-13: Target, 0/20/30

Total Global Equity Performance: FY 2012-13: Target, 0/10/15

2011-2012 PERFORMANCE PLAN – Portfolio Manager, Global Equity / Corporate Governance (B. Sherwood-McGrew)

Page 4 of 4

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Market Reform	Lead an enterprise-wide engagement with legislators and regulators to further CalPERS policy agenda through selected issues of critical importance in: <ul style="list-style-type: none"> financial market reform sustainability accounting and auditing standards 	From schedule
55%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Incentive Schedule

Total Fund: FY 2012-13: Target, 0/20/30

Total Global Equity Performance: FY 2012-13: Target, 0/10/15